

Advance notice of proposed rulemaking and request for comment

Summary

As a natural person credit union, we only have limited information with regards to each corporate credit union's individual business models and the corresponding operational and profitability aspects. However, we do understand the importance of revisiting the regulatory framework of the corporate credit union system and the need to make a reasonable assessment as to whether we can improve our regulatory guidelines without handcuffing those that are being regulated.

Essentially, we felt that current rules and regulations for corporate credit unions were sufficient minus a couple of exceptions. Many of the economic and valuation/loss issues that we are currently facing were due to other underlying issues that probably would not have been avoided had regulatory requirements been any more restrictive. With regards to issues like expanded investment authority and permissibility of investments, greater restriction may have mitigated the risk; however, such limitations would also be counterproductive to fulfilling the corporate credit unions' core business services. The issue of having risk based capital requirements is seen as a positive given that natural person credit unions currently have risk-based net worth guidelines. However, due to the fundamental differences between banks and credit union's, we need to ensure that those differences are highlighted and accordingly any risk-based capital requirement should be defined with those differences in mind. The other issue which we felt warranted consideration was allowing "outside directors" to provide a different perspective on issues; however, with the stipulation that all directors must be approved and voted in by the general membership.

Corporate credit unions serve an important role within the credit union system. They offer easy liquidity solutions, investment services to complement the natural person credit union's overall investment strategies, the ability to create economies of scale through payment services, and an expertise to the entire industry through consulting, training and educational services. As such, although regulatory changes may be a natural response to address the current economic crises, we must be careful to not limit the corporate credit unions ability to serve its members.